REPORT ON SURVEY OF REPUBLIC OF KOREA

for

MODIFIED RITA-TYPE PROJECTS
(Revised)

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ABSTRACT

REPORT ON SURVEY OF REPUBLIC OF KOREA for MODIFIED RITA-TYPE PROJECTS

Objectives

The survey team was to hold discussions with university personnel, Korean government personnel and USOM-K officials to explore the feasibility and desirability of undertaking an industrial development project oriented toward rural industries and in conjunction with a university or consortium of the universities in Korea. If the findings indicated that such a project was feasible, the survey team was directed to make recommendations as to methods and procedures that should be followed in order to achieve the specific goals of the project.

Procedures

After initial discussions with USOM-K officials the survey team interviewed a number of Korean government officers, talked with faculty members and/or administrative officers in eight universities and talked with officers of twenty-seven business firms The initial group of interviews were conducted in Seoul and its suburbs Later visits were made to Inchon, Pusan and suburbs and to Taegu and suburbs.

It had already been concluded by the Woodson-Gardner Report[1] that in Korea the RITA concept of establishing an entirely new business and

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[1] Report No.65-18, University of California, Los Angeles, Woodson, T.T. and Gardner, W.W., April, 1965, p.3.

encouraging entrepreneurial activity is unnecessary because there are some 15,000 small industries already operating in this country. We concurred in this finding, hence the principal efforts of the survey team were directed towards discovering methods of working with existing firms to expand their activities and increase their effectiveness.

Our conclusion is that a modified RITA type project concentrating upon existing businesses is feasible. In order to achieve maximum long range impact we recommend that along with the training of businessmen we train Korean faculty members to become consultants with a marketing orientation. Among the universities visited are several which have the interest and potential to cooperate on this project.

Recommendation

We recommend that Washington University contract with US/AID to undertake a project of training businessmen, faculty members and graduate students in cooperation primarily with Korea University and Yonsei University of Seoul and with Pusan National University of Pusan. We also foresee the possibility of including selected, key faculty members from other colleges and universities, probably in the second of the two project rounds recommended.

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Introduction

The name Rural Industrial Technical Assistance Projects (RITA) originated with a project started in Northeast Brazil in 1962. This project was initiated by Professor Morris Asimow of UCLA, and consisted of sending teams of faculty and graduate students into the field to make market and feasibility studies, on the basis of which local entrepreneurs were encouraged to form locally owned open stock corporations. This initial project was carried out with the cooperation of the University of Ceara, Fortaleza. Since this initial project, three other U.S. universities and three other Brazilian universities have undertaken similar projects with AID assistance.

In February,1965, two of the men associated with the RITA projects in Brazil, Mr. T. T. Woodson, Senior Lecturer from UCLA and Mr W. W. Gardner, Professor from the University of Michigan, made a one-week reconnaissance trip to Korea to determine the feasibility of establishing RITA type projects in that country. As a result of this survey, Woodson and Gardner concluded,

> "We recommend immediately proceeding with the arrangement for a suitable U.S. university to undertake a variant of the RITA type project, in aiding the existing Korean small industry (before considering the encouraging of new entrepreneurs)"[2]

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2 op. cit.,p.3

In August, 1965, the authors of this report (Trump and Niland) were asked to determine the character and the feasibility of a variant of the RITA type project, develop a specific project proposal, and to suggest a detailed plan of action to implement such a project, together with a budget.

Some Conclusions With Respect to Korean Industrial Development

The undeveloped resources of Korea lie almost wholly in its under-utilized manpower. Indeed with respect to many raw materials or financial resources, Korea is weak rather than strong.

The matter of utilizing Korea's most plentiful resource, human labor, breaks down into two elements (A) the efficiency with which labor is employed and (B) the quantity of labor employed. The efficiency of management largely determines the effect of the first factor and the development of new products and new markets, again both managerial responsibilities, largely determines the second factor. It is useful to note that in 1964 the unemployed were about 700,000 persons, or nearly 10% of the total ROK labor force of some 7,300,000 persons. Another comparison is also useful: the total labor force employed in all manufacturing was approximately 671,000. In other words, disregarding the qualitative elements (which admittedly would be significant) the labor force unemployed was almost exactly equal to the manufacturing employment, and provided they could be employed in manufacturing saleable products, represent a resource of substantial potential to the Korean economy

The relatively weak export capability, which has been developed in Korea (with one or two notable exceptions), combined with a persistent

high level of imports--mainly raw materials, food, machinery and equipment constitutes a major economic problem.

We, therefore, agree with Woodson-Gardner that emphasis in any program for aid to the Korean economy should be given to (a) improved business systems and control, (b) developing foreign markets by exporting, and (c) product and process improvements, including better management of technology.

Summary of Team Activities in Korea

One of the survey team members (Trump) arrived in Korea one week earlier than the other member of the survey team in order to determine whether there was indeed any interest in this type of university-industry cooperation on the part of the Korean universities and to make some initial contacts with representatives of Korean government agencies as well as other agencies concerned with improving Korean industry.

Discussion with the USOM-K director and with members of his staff indicated a deep concern with any type of project which would have an immediate impact upon Korean industry and would result in greater efficiency and in improvement of the export capabilities of Korean industry.

Since Washington University had a program of cooperation with Yonsei and Korean Universities from 1958 through 1964 we were quite well acquainted with many members of the central administration and of the faculties of the two schools of business. Therefore, initial calls were made on these two universities. After visits with members of the central administration, a number of meetings were held with members of the business school faculty and with the Yonsei Industrial Management Research Institute and with the

Korea Business Management Institute at Korea University. In each case lengthy discussions with members of the faculty sought to develop the degree to which there would be interest in a project of cooperation with Washington University which would be designed to benefit Korean industry. A number of possible variations of a RITA type project were discussed in each case.

As a result of these discussions it became clear that such a project would receive high priority on the part of members of the faculty. One of the avenues explored was the relationship between members of the business school faculty and their colleagues who were members of the faculty of the school of engineering. One of the survey team (Niland) who is a specialist in production management, made visits to the engineering schools of both universities. It was our conclusion that a cordial relationship exists at these schools between the engineering school and the school of business and that cooperation with the engineering school, as needed, could be depended upon.

In the process of discovering what other activities were being carried out to assist Korean Industry, visits were made to the Ministry of Commerce and Industry, to Mr. Roy Lucas, Head of the UN Office, to Mr. William Newton, Head of the ILO Office, to the KOTRA Exhibit and the KOTRA Export Training School, also to Governor Rhi of the Korean Reconstruction Bank. Visits were made to a number of industrial plants and to the head offices of a number of larger industries in the Seoul area. Visits were also made in Inchon and in the industrial area between Seoul and Inchon. After some two and one-half weeks of this activity, during which time a pattern had been developed for visits with university

faculty members and to industrial plants; one of the survey team (Niland) went to Taegu and Pusan, where the pattern was repeated in visits to universities and to industrial firms.

A list of the institutions visited appears in the Appendix.

Scope of Work

Our assignment was as follows

1. Explore the relation of this type of industrialization effort to other developmental efforts already underway, both public and private, and determine whether, and to what extent such activities might be usefully coordinated and/or integrated in support of the project,
2. Analyze regions and localities in which the program might be initiated. Such analysis should include availability of indigenous materials and resources, market analyses heavily oriented to the rural area, feasibility of introducing or extending to site selected, credit unions and cooperatives, rural banking facilities and other forms of technical assistance, adjust production and managerial skills and techniques to small-scale unskilled and/or labor-intensive conditions, relating to local established business interests, local government officials and interests, local labor problems, if any,
3. Determine the types of educational activities within the participating universities or industrial training

activities that would make a maximum contribution to project goals and make recommendations as to specific courses of action that should be taken both within and outside of Korea. Particular note should be taken of the breadth and quality of Korean education institutions in subject areas requisite to this type of program,

4. Determine the required support activities desired of participating educational institution(s) and the nature and design of field activities,
5. Recommend a phased schedule for the project, which includes field work, formal education and/or training, if necessary, and the nature and types of such activity within the proposed project,
6. Determine local sentiment as to the suitability of the approach envisioned for the project and determine as far as possible whether community participation can be stimulated through the university-to-university mechanism,
7. Recommend the composition of both the U.S. and local college(s) teams.
8. Explore financing alternatives and facilities and understanding as to how costs should be apportioned. Provide estimates for component, duration and total costs of the program.

Findings

(1) RELATION TO OTHER DEVELOPMENTAL ACTIVITIES There are a number of development activities in Korea which are related in one way or another to the subject matter of this project. First are the activities of the Industry division of the Mission with its consultants operating in various areas to improve Korean Industry. A second activity is the work of the ILO. This organization has six consultants working specifically to improve the economy through consulting services and classes in a wide variety of areas. The Korea Productivity Center has recently made several studies of foreign trade problems, but its training interests have concentrated on management and industrial engineering type courses.

A third activity is that of KOTRA. Since March of 1965 KOTRA has been running classes specifically in the field of export expansion and several hundred people have now completed one of these short courses. The activity of the Small and Medium Industry Bank must also be included here, for it has a number of people serving as consultants to various segments of the industry and proposes to expand this activity. In quite a number of ways the Minstry of Commerce and Industry is working to encourage both growth and development of industry and exports.

Another activity of great importance to the long range development of the country is the activity of the various business schools in universities and colleges throughout the country. The leading schools of business are those of Yonsei and Korea Universities but a number of other schools are making vigorous efforts to improve their curriculum and upgrade their faculties. Collectively these schools will have an increasing impact upon Korean industry. The initial impact comes from the service of faculty members as consultants to industry, the second impact comes from their participation in management training programs and from their speeches before business and professional groups. The third impact is the effect of faculty members work with students in the universities. This effect will bear fruit sometime later when these students take their place in industry and rise to positions of importance, but even at this stage it helps to mold public opinion.

(2) REGIONS FOR PROJECT LOCATION: There are three major industrial regions in Korea. These are Seoul, Taegu, and Pusan. Virtually all of the major businesses in the country are located in or near these three centers, and many of the major businesses, regardless of plant location,

have a principal office in Seoul. As a result of these concentrations of major industry, smaller businesses tend to cluster in Seoul or its suburbs, Taegu and its suburbs or Pusan and its suburbs. Each of these areas has the necessary ingredients for the project we have envisioned. Each has a number of small industries which would be suitable for the purpose of this project and each is a center for processing or utilizing in manufacture the products of the surrounding rural areas. In addition, each has a university, which would cooperate and which has both business and engineering represented among its schools. Through cooperation with selected industries and with knowledgeable faculty members in the universities there would be no insuperable obstacles to introducing or extending the various forms of technical assistance required for this type of project.

While there are a number of industries involving labor intensive conditions, there are three that come to mind from our plant visits as having rural impact, the capability for substantial expansion and the possibility of contributing in an important manner to the exports of the country. These are, the silk industry, involving all branches of sericulture, the marine products industry including seaweed, shellfish and other sea products, and the third is the pottery industry.

Since it is contemplated that we will be working with existing firms rather than attempting to start a new company, from our conversations with a variety of business firms there would appear to be no problem of conflict with local business, local government officials or local labor problems. On the contrary it appears that we would have enthusiastic cooperation from each of these groups.

In selecting regions in which to initiate this type of industrial development project, a major factor is the proximity of universities which have programs of some strength in the area of business and also in the area of engineering. To maximize the effectiveness of the initial project, attention must be given to the command of English exhibited by faculty members at the various universities. Since Washington University has worked for some years with Korea University and the Yonsei University, it seems logical that these two schools should be a primary starting point. Here there is a basis of initial trust and confidence based upon long acquaintance and an intimate knowledge of the capabilities of many members of the Korean faculty, several of whom have earned advanced degrees for work in residence at Washington University.

Going outside of the Seoul area, a logical choice seems to be Pusan National University. The Dean of the Business School of Pusan National University is an accountant, has traveled extensively in the United States, has an excellent command of English, and is already acquainted with Washington University. Pusan is the second city (Seoul was the first) to be given the status of a "special city" in Korea. It has been growing rapidly as a manufacturing and export center

Cooperation with these three institutions, all of which are outstanding in their respective parts of the country, will permit a project to get underway without the customary loss of time involved in the simple act of getting acquainted At the same time, selected key faculty members from other universities would be included in the program, together with their graduate students, as space was available.

(3) EDUCATIONAL AND INDUSTRIAL TRAINING ACTIVITIES While full details of

the training program are given later in connection with the project proposal, the basic plan involves field work in Korea and both formal classes and special training activities in the United States. The field work will include application of the criteria to the selection of the cooperating firms, then the uncovering of the problems which are in need of solution and the development of a program or sequence for attacking these problems.

The field work would develop skills of the participants in defining problems, in making studies to gather relevant facts, in analyzing facts, and in drawing useful conclusions. Essentially, the cooperating businesses would provide the laboratory for project participants. At the same time, of course, the output of this process would also have economic value to the participating firm, in the form of a program for developing a specific product or products for profitable exports, together with a program for accomplishing this objective, tailor-made for each firm and in full detail. The field-work training should be equally valuable to company and university participants. For the former, the training should develop relatively sophisticated management skills, especially in planning, organizing, and coordinating the activities of all functions of a business, from the viewpoint of top management. For the academicians, this type of training is fundamental for practical business research and for useful consulting.

The training in the United States would have as its basic objective developing the technical background of all participants

and especially the proficiency for consulting among the Korean faculty members and graduate students. It would emphasize the problem-solving approach and the case method.

Criteria for Choosing Cooperating Companies.

Companies will be selected on the basis of the following characteristics

A. The firm must be engaged in a labor intensive activity.

B. The activities should have an impact on rural areas (for example, sericulture).

C. The potential which we see in the company for export expansion whether or not there have been exports to date.

D. The willingness of the management of the company to work with us and the strength of their interest in the project.

E. The capability of the firm to participate. Whether the firms have individuals to assign to the project who are suitable from the standpoint of ability and command of English.

A further factor would be the firm's financial condition and top management interest in undertaking expansion of exports.

F. Our estimate of the extent of immediate impact which might be created through the project.

Korean faculty members and graduate students would receive specific training to strengthen their understanding of management fundamentals, capital budgeting and cash flow aspects of finance

applicable to small and medium businesses, marketing management, marketing research, and export marketing. In workshop sessions with practicing U.S. businessmen, the Koreans would see how small and medium size firms solve business problems in this country, and how these firms practice aggressive marketing at the same time exercising effective quality and cost control. Although having shown a remarkable improvement over the last few years, Korean business schools are still weak on the application of the principles of general management and on the concept of marketing management. Korean engineering schools could profit greatly from having better trained faculties as well as improved laboratory and other physical facilities. It is because of limitations in Korean educational institutions that the training for this project is best conducted in the United States.

(4) SUPPORT ACTIVITIES. Although the major portion of the training activities would take place in the United States under the auspices of Washington University, the support from the participating educational institutions in Korea is quite important. The support would start with administrative approval by heads of the cooperating universities, of the general idea of the project and would be demonstrated by the designation of a capable, mature faculty member to head up this activity at his university and to take the training in the United States at Washington University. It is expected that Korean faculty members and graduate students would develop case materials covering the kinds of problems which were developed in connection with the program and these should be published both in English and Korean under the auspices of the

cooperating Korean universities. A further supporting activity would be the publication in Korean journals and in Korean newspapers of articles concerned with various phases of the program.

A further support activity on the part of Korean educational institutions would be the arrangement for faculty members involved to leave their institutions for the period of their training in the United States and the arrangement for some type of support for the families of faculty members who were absent during this period.

Support from USOM Technicians and I.E.S.C.. It is expected that USOM industry technicians would be consulted at the outset of the project during the initial selection of cooperating firms. The specialized knowledge which these men could bring to the project would be invaluable. In an attempt to define the problems of cooperating firms, it is likely that we would encounter situations such as specific technical engineering or design problems requiring the trouble-shooting skill of USOM technicians or outside consultants. Outside consultants might also be needed during the training of business men and faculty members in St. Louis. At this stage it is expected that these consultants would either be I.E.S.C. people or consultants in export marketing.

At the time solutions were to be applied to Korean plants, it is expected that I.E.S.C. personnel representing the participating skills might be extremely helpful and at this point also design consultants or export buyers might make an extremely valuable contribution.

The specific field work activities fall into two distinct categories: The first would take place during the summer of 1966 when it is expected that members of the Washington University faculty and graduate students would be resident in Korea working specifically with faculty members from the Korean Universities. This work would involve first, a period of time devoted to outlining for the Korean faculty members and graduate students the specific steps involved in the project, and the application of criteria for the selection of cooperating business firms. The actual selection of participating firms would involve going with Korean faculty members to inspect a number of plants, to talk to plant managers and/or owners about such a project, wherever the plant inspection seemed to indicate that this further step was feasible. Once the selection of cooperating firms had been accomplished the field work would then become a detailed study of the production and marketing practices in each of the plants. This would set the stage for the delineation of the problems which the plant was facing, which would then become the subject of further research and study in the United States.

The second category of field activities would take place in the summer of 1967 when Washington University faculty and graduate students would again return to Korea accompanied by Korean faculty members and graduate students who had been studying in the United States in the interim. This period of field work would have as its objective putting into actual operation in the cooperating firms the solutions to problems which had been developed during the preceding period.

(5) SCHEDULE FOR THE PROJECT:

March or April, 1966 - Launching of the project by Washington University representative in Korea, selection of faculty members at each of the three universities.

June, 1966 - Washington University team of three faculty members and three graduate students goes to Korea, makes final selection of cooperating firms, undertakes field work in cooperation with Korean faculty members and graduate students.

September, 1966 - Washington University team and Korean University team consisting of faculty members and graduate students, comes to United States.

September, 1966 - May, 1967 - Korean team undergoes training in the United States under auspices of Washington University.

February - May, 1967 - Korean businessmen, one from each of cooperating firms, undergo special program of training in the United States with emphasis upon workshops and plant visits.

June - September, 1967 - Washington University team, Korean team and Korean businessmen return to Korea, field work involves putting into practice the solutions developed during the school year. An additional assignment for Washington University Chief of Party, would be the selection of cooperating faculty members from other universities and cooperating firms who would work with Washington University during 1967-1968 on a second round of the same type of program.

September,1967 - June, 1968 - The repeat of the training of the previous year but undoubtedly involving one to three different

universities and a new set of cooperating business firms.

February - June, 1968, businessmen from new firms come to United States to undertake training similar to that provided during the preceding spring.

June - September, 1968 - Washington University team, Korean University team, and Korean businessmen return to Korea to put into effect solutions which had been developed during the preceding school year and to revisit business firms and faculty members with which the cooperation of the previous year had been carried out.

September, 1968 - At this point the project would terminate or would be extended for a third round, or would be supplanted by a continuation project for consultation and revisits to the firms and the faculty members involved in the preceding two years of operation. The objective of this continuation would be to increase the effectiveness of the faculty members in their consulting activities and in their work with the cooperating firms.

(6) COMMUNITY PARTICIPATION As a result of our investigation of this project we are convinced that there would be adequate community cooperation and support from both the business and the university communities. Because all three universities have a large number of alumni who are engaged in business activities all over the country, there is a natural tie between these businessmen and university faculty members upon which a series of cooperative projects can be developed.

(7) COMPOSITION OF TEAMS The U.S. team would be composed of two senior

faculty members from the Graduate School of Business Administration, both of whom have had extensive experience in Korea. The third faculty member might be either from the School of Business or from the School of Engineering at Washington University and we lean toward the latter alternative, providing a person with the proper background can be secured. The U.S. team would also include two or three graduate students, two from Business Administration and one from the School of Engineering.

The Korean team would consist of a mature person with the general characteristics of a department chairman from the School of Business of each of the participating universities. It is expected that these faculty members would be accompanied by either two or three Korean graduate students who should be chosen from among those who plan to go into teaching as a career or those who have a specific business objective compatible with the aims of this project.

(8) FINANCING. The detailed budget for the project is attached. It is expected that at current exchange rates slightly over two million won would be required for this program. This would be apportioned as follows. The equivalent of about $1800 for local travel of American faculty and graduate students in Korea, the equivalent of about $1000 for translation and publication, and the equivalent of about $5,400 for payment to Korean faculty members and graduate students during the two summers in which they would be engaged in working on this program. It is proposed the remainder of the cost be borne by US/AID funds.

Arguments for a University to University Project

An important reason for recommending a University to University industrial development project in Korea is that it will have a maximum impact and will compliment the activities already underway by other agencies.

CATALYTIC EFFECT. The combination of an American University and a Korean University can have a catalytic effect in the area of industrial development. Where it would be most unlikely that one of the existing agencies operating in Korea would call upon one of the Korean Universities for assistance in promoting its program, it is entirely to be expected that a Korean University cooperating with an American University might request the assistance of technicians from the US/AID Mission, specialists from the I.E.S.C., or the assistance in lectures and consultation from specialists within the MCI, consultants from the Small and Medium Industry Bank, or from the staff of the export expansion schools conducted by KOTRA. This effect is particularly to be expected where the cooperating American University is represented by a Graduate School of Business, for faculty members in such schools are quite accustomed to serving as industrial consultants and to working with other industrial consultants on the problem of a single firm. Thus, it would be a normal and natural thing for a University to University project to become a catalytic agent complimenting the activities of agencies already working in the industrial development field.

The catalytic effect would be enhanced because of the great respect which most Koreans have for higher education, according it

an extremely high status in their culture. The leading universities are held in high esteem throughout the country. This applies also to the leading American universities and is particularly important in the case of business administration where the preeminent status of American know-how is generally acknowledged.

MULTIPLIER EFFECT An even weightier argument, in our opinion, for a University to University project is that such an arrangement would have a distinct multiplier effect which would be quite far reaching. This effect flows from the objectives of such a program first, to train Korean faculty members and graduate students to serve as consultants on new business development, and second, to do a more effective job as educators. Because Korean faculty members are not well paid they are constantly searching for ways in which to augment their incomes. This kind of training will provide these faculty members with a very useful vehicle which they will be anxious to utilize. It will enable them to consult for a variety of firms on problems of product innovation, export market research, export marketing and the like. Thus, through the effort of the faculty member to utilize his knowledge as a consultant on behalf of business clients, a multiple effect is assured. The same kind of immediate effects will result from the activities of faculty members in management training programs and conferences.

A second level of effects will result from case materials developed in connection with this project and distributed widely to universities and business firms through MCI, KOTRA and the banks. Related to this

group will be articles in journals and newspapers, prepared by faculty members anxious to utilize this method of demonstrating their expertise. These materials will both generate interest in these problems and promote greater facility in developing solutions.

A third level of effects will occur when graduate students who have had this kind of training go to work for business firms or themselves become faculty members at other Korean institutions. These men will be anxious to demonstrate their newly acquired skills and will either function as consultants to industries within their area or will inject their new knowledge into the courses which they teach or the businesses they enter.

A fourth level of effects will occur among students who have had the benefit of studying under faculty members trained in these aspects of business development and experienced as consultants in this field. These students will, of course, learn many things from the professors and will in time be able to take their placed in Korean industry, bringing to the industry ideas learned in college.

Other important long range results are likely to flow from the word-of-mouth dissemination of ideas through the series of publics related to a university. As was demonstrated in the relationship of Washington University in the field of business administration to Yonsei and Korea Universities, ideas move horizontally in educational circles. Universities which had been concerned little or not at all with business administration discovered that this field of education could be rewarding to students and instituted programs of their own.

Universities who had small programs in business administration saw these programs grow and develop so that there was a general spread of ideas concerning business administration throughout the universities of Korea. The same thing will happen in the area of business development. This will be the result of word of mouth communication among many groups such as students, educators and businessmen, and the result of consulting activities on the part of faculty members, as well as one of the results of newspaper and journal articles about this new field.

The project and its products are also bound to influence young men rising to positions of responsibility in the future in Korean businesses and academic circles. American philosophies, by necessity, will permeate the entire execution of the project.

SHORT AND LONG RANGE IMPACT: Because we will be working with specific business firms to discover, analyze and solve business problems, and because our efforts will be devoted to improving quality, increasing production and encouraging exports, we believe that this project will have an immediate impact on the business community.

(A) Through direct improvement of the production of the participating companies.

(B) Through strengthening the management of participating companies by a demonstration of the value of market orientation and an integration of company functions.

(C) Through word of mouth contact of the participating businessmen with their contemporaries, there will be

increased interest in professional management and export expansion.

(D) Through focussing the attention of business schools and business professors on export trade and professional management with a market orientation.

The intermediate and long range impact will be the increased employment in the participating business firms and the increased demand for Korean raw materials which will help raise incomes in the rural producing areas.

As the newly trained Korean faculty members engage in the practice of consulting, both of these intermediate impact effects will be intensified as a larger number of Korean firms engage in product innovation, product modernization and exporting.

Of various American collaborators who might be interested in a project of this sort, we believe that the Washington University Graduate School of Business Administration has a distinct advantage over other universities because of the work we have done in Korea over the last eight years. This has given us something of a reputation in Korea in the field of business administration, but more important it has given us an acquaintance with quite a large number of Korean people in universities and business firms. This combination of factors should give us a distinct advantage when it comes to the selection of participating faculty members and at the same time will permit us to start a project without a long "get acquainted" period. This fact alone, should save from six months to a year of productive time in executing a project of this nature.

Detailed Project Proposal

1. Launching the Project

It is expected that sometime during March or April of 1966, a representative of Washington University would go to Korea, meet with representatives of Yonsei University, Korea University and Pusan National University to secure from these universities specific agreements about the role each is to play in the cooperative effort. At this time decisions regarding the individual faculty members from these or other schools who will participate would be undertaken. Ground work for the selection of the graduate students to participate would be also done at this time. It is expected that this visit would require not more than four weeks.

Early in June two or three faculty members from Washington University,[3] together with two or three graduate students would come to Korea. With the advice and assistance of USOM-K industry technicians and the faculty and graduate students from the three Korean Universities they would apply the criteria for the selection of cooperating business firms. Where a key faculty member from another school is to be a participant, projects with firms in his geographic area would be considered.

2. Field Work

The next step would be the actual selection of the firms with which the project would be concerned. By reason of the selection

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[3] It is expected that this entire project would be under the direction of Dr. John Walsh, Jr. who would probably be one of the faculty members coming to Korea. Dr. Powell Niland might be another member of the faculty team in Korea. Both men have had extensive experience in Korea and are well known in educational circles there.

of Korean faculty members in March or April and preliminary orientation at this time, it is expected that the faculty members would have a rather good idea of some specific firms which would welcome assistance and which would cooperate in a project of this sort. Then would follow a detailed study of the selected firms in order to pinpoint the particular products and problems upon which the activity of the group would focus. This would include an analysis of the firm's overall condition, its production facilities and quality control, its existing markets, its possible penetration of new markets and the product modification or redesign which might be desirable. At this stage the assistance of technicians from the US/AID Mission would be invaluable
It is expected that this phase of the work would be completed by September 1,1966.

3. Training in the United States

Early in September, 1966, the American faculty members and graduate students would return to the United States to be followed very shortly by the Korean faculty members and graduate students who were participants in the project. Under the direction of the American faculty members who had been in Korea, but assisted by additional faculty members of Washington University, the Korean faculty members and graduate students would undertake a program of study combining some existing courses in with especially developed materials and programs. Korean faculty and graduate students would take some courses in Accounting, Finance, Marketing, Market Research,

and Management and would have special studies of export market analysis, new product development, adaptation of a product to a specific market, quality control, financial control and in product innovation and redesign. In addition to the regular faculty members of the Washington University Graduate School of Business Administration, faculty members from the Washington University School of Engineering would assist in the project as needed. Also, industrial designers and consultants would be called upon as necessary. If it appeared desirable in connection with any of the problems encountered, the assistance of the I.E.C.S. would be sought.

A specific part of the training in the United States would be a detailed study of how American firms meet and solve the problem of market penetration and product adaptation to markets. Previous work of this nature in connection with another AID contract has demonstrated that St. Louis business firms, with which Washington University has many close contacts, are glad to share their experience with students from another country. A series of workshops with such St. Louis firms would be organized so that the training which Koreans receive would be entirely practical.

Approximately February 1, 1967, the group of Korean faculty members and graduate students in training would be joined by a representative from each of the business firms in Korea which had been selected as the recipients of technical assistance. For a

period of from one to four months, these Korean businessmen would undergo special training of a practical nature. The program at this point would emphasize studies and seminars directly related to developmental problems of the business firms involved. It would include plant tours and workshop sessions and such technical consultants as might seem appropriate and would differ as necessary for each of the businessmen. A man with previous U.S. experience would not require the same orientation as a man coming here for the first time. Throughout this period of study the services of consultants in specialized areas would be utilized where necessary to supplement the work of the university faculty and the "workshop" sessions with businessmen.

It should be noted that an important part of the training of Korean faculty members would be the emphasis on problem solving and the case method so that the knowledge and skill acquired during this year of practical study would have an immediate application in Korea. Each faculty and graduate student participant would be expected to prepare at least one business case study based on one of the cooperating firms, and this would provide instructional material for use in Korea.

Likewise, a series of articles and monographs by project academic participants on problems related to the project is proposed. These should be published in both English and Korean also and should be distributed to selected businesses, faculty members at all universities, and to interested organizations such

as KOTRA and M.C.I. Some of the facts and other materials developed should be directly useful to individual businessmen, others may be of more interest to government and academic representatives.

The total time for this section of the project should be approximately nine months.

4. Applying the Solutions

In June, 1967, Korean faculty members and graduate students together with American faculty members and graduate students would return to Korea and go to the participating firms which had been the object of their study during the preceeding nine months. They would present their findings and recommendations to top management. They would then assist in implementing the recommendations which were accepted. This will probably involve actual modification or redesign of some products, actual exploration of new markets, actual market measurement and so on. Again at this point the technical assistance of the US/AID Industry Division and I.E.S.C. personnel would be important, and export buyers might be brought in as consultants.

It is expected that this phase of the project would require about three months to put into full operation.

During the summer of 1967, Washington University faculty members in Korea will have the additional responsibility of selecting the participants for the second round of the program. While not neglecting Korea University, Yonsei University and Pusan National University, an effort would be made to bring in faculty

and graduate students from other colleges and universities. The participants selected would be oriented in the late summer of 1967, make initial selection of cooperating business firms and come to Washington University in the fall where the previous year's training would be repeated. Modifications in the program based upon the first year's experience would undoubtedly be made.

In the summer of 1968 the second group would return to Korea accompanied by Washington University faculty and graduate students to put into operation the proposals for a second group of cooperating business firms.

By September, 1968, the project might be terminated, or continued for a third round, or altered to provide a period of continued consultation and assistance to the firms and faculty members who had cooperated.

Summary

Our proposal is based upon two principal conclusions with respect to Korea's needs for industrial development. The first of these is that additional opportunities need to be developed via existing businesses to use Korea's manpower resources to a fuller extent. The second is that there is a need to remedy a persistent and large deficit in the export-import sector, which has been supported over the last decade largely by substantial United States aid of various types.

A training program for Korean businessmen,faculty members, and graduate

students can be orientated to these basic problems confronting Korean business. With Korean companies serving as laboratories, examples of American "know-how" can be demonstrated and communicated, with resultant benefit to Korean employment, industry and exports. In a program of approximately two years duration, we believe that a good foundation of market orientation can be firmly established in Korean Universities where it can be a self-multiplying factor in improving the economy.

The businesses involved would receive direct and, hopefully, substantial assistance not only in developing foreign trade in a specific item but also in improving a wide variety of their functions and, especially, their understanding and implementation of an integrated approach to business development.

Given our analysis of the basic problems of industrial development in Korea we emphasize a program which is designed to lay a foundation for Koreans learning how to help themselves, first by helping an initial group of businessmen to find solutions for themselves, and second, but at the same time, by training faculty members who as teachers and consultants, can do the same thing for other Koreans--provide them with the fundamentals for solving more and more of their own problems.

Proposed Budget

Line Item	FY66	FY67	FY68	FY69	Total Budget
1. Salaries	$ 11,156	$ 77,717	$ 77,717	$ 25,647	$192,237
2. Allowances	3,360	10,320	10,320	5,760	29,760
3. Travel and Transportation	9,300	34,600	34,600	400	78,900
4. Other Direct Costs	920	4,370	4,320	350	9,960
5. Overhead	4,024	36,904	36,904	10,175	88,007
6. Equipment	---	3,000	3,000	---	6,000
7. Participant Costs	600	35,300	35,300	1,200	72,400
Grand Total	$ 29,360	$ 202,211	$ 202,161	$ 43,532	$ 477,264

WORK SHEETS FOR BUDGET

Line Item	FY66	FY67	FY68	FY69
1. Salaries·				
W.U. representative to Korea - Mar.'66.	1,500			
3 Profs. to Korea-Summer	5,000	15,000	15,000	10,000 (2 mo)
3 Grad.Students to Korea-Summer	1,500	4,500	4,500	3,000 (2 mo)
3 Grad. Students P.T. during school year-9 mo.		6,000	6,000	
Secretary-Seoul F.T. 3 summer months - ½ time 9 months	500	3,750	3,750	1,000 (2 mo)
Secretary-Pusan F.T. 3 months	100	300	300	200 (2 mo)
Secretary-Home Office	500	6,000	6,000	2,500 (5 mo)
Dean's salary-1/3 time	556	6,667	6,667	2,780 (5 mo)
Home Office Coordinator-P.T.	500	6,000	6,000	2,500 (5 mo)
Chief of Party and Project Director-$5000 F.T. during summer (see Profs. above) $7500 P.T. during school year - 9 months		7,500	7,500	1,667 (F.T.) (1 mo)
Industrial Coordinator and Administrative Assistant to Director-F.T.	1,000	12,000	12,000	2,000 (2 mo)
Consultants and Designers as needed (fees:)		10,000	10,000	
In United States:	1,556	51,167	51,167	7,780
In Korea:	9,600	26,550	26,550	17,867
Grand Total.	11,156	77,717	77,717	25,647

Line Item	FY66	FY67	FY68	FY69
2. Allowances				
Per diem for W.U. representative-30 days @ $16	480			
Per diem for 3 Am. Profs. -90 days @ $16	1,440	4,320	4,320	2,880
Per diem for 3 Am.Grad. students-90 days @ $16	1,440	4,320	4,320	2,880
Per diem for Industrial Coordinator-90 days @ $16		1,440	1,440	
Per diem for W.U. official inspection-15 days @ $16		240	240	
Allowance Total.	3,360	10,320	10,320	5,760
3 Travel and Transportation.				
W.U. representative -Mar.'66 R.T. to Korea	1,300			
3 Am.Profs. R.T. to Korea and 3 Crad.Students R.T. to Korea	7,800	7,800	7,800	
Industrial Coordinator R.T. to Korea		1,300	1,300	
Local transportation in Korea	200	600	600	400
3 Korean Profs. and 3 Korean Grad. students R.T. to U.S.		7,800	7,800	
6 Koreans travel within U.S.		6,000	6,000	
Project Director and Administrative Assistant travel within U.S.		2,000	2,000	
3 Korean businessmen come to U.S. in February		3,900	3,900	
Korean businessmen travel within U.S.		2,400	2,400	
W.U. official inspection R.T. to Korea		1,300	1,300	
3 Am. Grad. students travel in U.S.		1,500	1,500	
Travel Total.	9,300	34,600	34,600	400

Line Item	FY66	FY67	FY68	FY69
4. Other Direct Costs:				
Passport, medical,etc.-				
W.U. representative	75			
3 Am. Profs.	225	225	225	
3 Grad. students	225	225	225	
Industrial Coordinator	75	75	75	
Inspection officer		75	75	
Insurance-				
W.U. representative	40			
3 Am. Profs.	120	120	120	
3 Grad. students	120	120	120	
Industrial Coordinator	40	40	40	
Inspection Officer		40	40	
Communications, Preparation of Reports-				
W.U. representative		50		
3 Am. Profs.		150	150	150
3 Grad. students		150	150	150
Industrial Coordinator		50	50	50
Inspection Officer		50	50	
Preparation, Translation, Publication of Research Studies-		2,500	2,500	
Office Supplies-		500	500	
Other Direct Costs Total	920	4,370	4,320	350
5. Overhead* (Based only on Salaries)				
On Campus	856	28,142	28,142	4,279
Off Campus	3,168	8,762	8,762	5,896
6 Equipment				
Books, periodicals for each Korean University Library-		3,000	3,000	

* at Government approved negotiated rate

Line Item	FY66	FY67	FY68	FY69
7. Participant Costs.				
3 Korean Profs. -P.T. @ $150 a month in Korea.	450	1,350	1,350	900
3 Korean Grad. students -P.T. @ $50 a month in Korea.	150	450	450	300
3 Korean Profs. in U.S. subsistance Sept.-June 9 month @ $10 per diem		8,100	8,100	
3 Grad. Korean students in U.S. subsistance @ $10 per diem.		8,100	8,100	
3 Korean Profs. and 3 Korean students - tuition @ $1700		10,200	10,200	
Special allowance for Univ. @ $25 per semester per man.		300	300	
Books @ $200 per man		1,200	1,200	
3 Korean businessmen in U.S. subsistance 4 months @ $10 per diem.		3,600	3,600	
Conference Expenses*		2,000	2,000	
Total Participant Costs.	600	35,300	35,300	1,200

* Provides for a conference in Seoul at conclusion of each 9 month training period in U.S., during which results would be shared with faculty from all business schools in Korea. Could be held during July for 2 days or 3 days. Participation by USOM officials and ROK officials would be solicited.

APPENDIX A

Colleges and Universities visited

1. Yonsei University, Seoul

   President
   Business School and Industrial Management Research Center
   Engineering School

2. Korea University, Seoul

   Vice President
   Business Research Center
   Engineering School

3. Seoul National University, Seoul

   President
   Engineering School

4 Han Yang University, Seoul

   Industrial Engineering Department

5. Pusan National University, Pusan

   Business School
   Engineering School

6. Tong-A University, Pusan

   Business School
   Engineering School

7. Taegu College, Taegu

   President
   Business Faculty Member

8. Chung-Gu College, Taegu

   Department of Economics and Commerce
   Department of Engineering

APPENDIX B

Visits to Industrialists and Business Firms

1. Eighth United States Army Support Command Exchange, Seoul.
2. Yu Engineering Company, Seoul.
3. Ministry of Commerce and Industry, Seoul
4. U.N. Office, Seoul.
5. ILO Office, Seoul.
6. YuHan Chamical Company, Seoul.
7. Pumyang Industrial Company,Ltd., Seoul
8. Mitopa Department Store, Seoul
9. Cheil Wool Textile Company, Seoul.
10. Korea Trade Promotion Corporation,(KOTRA), Seoul.
11. Seoul Silk Company, Seoul.
12. Korean Native Arts Company, Seoul.
13. Sam Kwang Textile Company, Ltd., Seoul.
14. Han Kuk Machine Industrial Company, Ltd., Inchon.
15. Kuk San Auto Parts Company, Ascom (near Inchon).
16. Charles W Taylor and Company, Inc., Seoul.
17. New Light Mfg. Co., Seoul.
18. Gold Star Co., Pusan
19. Lucky Chemical Co., Pusan.
20. Hankuk Shipbuilding Co., Pusan.
21. Chosun Silk Co., Pusan.
22. Hung Ah Tire Co., Pusan.

APPENDIX B-2

23. Posseng Rubber Co., Pusan
24. Dae Han Chinaware Co., Ltd., Pusan.
25. Sung Lee Machinery Works, Taegu.
26. Sun Il Industrial Co., Taegu.
27. Cheil Wool Textile Co., Taegu.
28. Shin Seng Industrial Works, Taegu.
29. Dong Yang Musical Instrument Co., Taegu.
30. Chosun File and Tool Industrial Co., Yongdong.
31. East Asia Publishing Co., Tokyo.
32. Monsanto Chemical Co., Tokyo.
33. YuHan Chemical Co. Overseas Branch Office, Tokyo
34. Korea Trade Promotion Corporation (KOTRA), Tokyo office.

APPENDIX C

Summary of Interviews
(in chronological order)

1. Mr. James L. Rounds, General Manager, Eighth United States Army Support Command Exchange
   August 7, 1965

Present: ROUNDS, James L.
WALSH, Dr. John
TRUMP

Discussed experiences of Mr. Rounds in persuading Korean concession operators to modify design of goods to meet western tastes.

2. Luncheon Meeting with Yonsei Faculty
   August 8, 1965

Present: Sixteen Members Yonsei Faculty
WALSH, Dr. John
TRUMP

Discussed several variations of RITA type project.

3. Yu Engineering Company
   August 8, 1965

Present: YU, Kunchoon, President
TRUMP

Discussed Mr. Yu's experience in opening a branch office in Seoul and the training of technical personnel.

4. Industrial Management Research Center, Yonsei University
   August 9, 1965

Present: KIM, Prof. Sang Kyum, Director
HAN, Dr. Kee Chun, Secretary
TRUMP

Discussed possible variation of RITA type projects and needs of Korean industry.

5. Ministry of Commerce and Industry
   August 10, 1965

Present: LEE, Chul Sueng, Vice Minister
NOH, Chin Shik, Administrative Assistant
TRUMP

Luncheon meeting at which possible projects were discussed along with the needs of Korean industry.

6. U. N. Office
August 10, 1965

Present: LUCAS, Ray, Director
TRUMP

Discussed recent study of small and medium industries in Korea.

7. ILO Office
August 11, 1965

Present NEWTON, W. H., Chief
Five ILO Staff Members
TRUMP

Discussed ILO training program designed to increase productivity in Korean industry.

8. YuHan Chemical Co.
August 12, 1965

Present: CHO, Dr. Tong Soo, President
TRUMP

This company is a producer of various pharmaceutical compounds and is a licensee for Max Factor Cosmetics. I have known Dr. Cho for sometime and talked with him about developments within his company and plans for expansion and export.

9. Pumyang Industrial Co., Ltd.
August 12, 1965

Present: LEE, Sung Pum, President
CHO, Dr. Tong Soo
TRUMP

Dr. Cho took me to meet Mr. Lee who heads one of the larger textile companies. Discussed developments in textile business and extent of goods exported.

10. Mitopa Department Store
August 13, 1965

Present: CHO, In S., Managing Director and President of Seoul Retail Federation
KIM, Miss Yung Suk, Interpreter
TRUMP

Discussed extent to which stock concentrates on goods made in Korea.

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Purchasing policy is to try to stock one hundred percent locally manufactured articles. Toured the store to see the range of consumer goods being offered. Was surprised at the extent of products available. Mitopa is now operating its own shirt factory.

11. Korea University Faculty
August 13, 1965

Present: YOON, Dr. Byung Uk, Head Business Management Research Center
Lee, Dr., Vice President Korean University
Three faculty members
LANDERS, Frank
TRUMP

Dinner meeting with some opportunity to discuss possible reception of RITA type projects by Korea University.

12. Cheil Wool Textile Company, Main Office
August 16, 1965

Present: SUNG, Sang Yong, President
WALSH, Dr. John
LEE, Dr. Chung Ha (who acted as interpreter)
TRUMP

Discussed outlook for the textile business. Local production of synthetic fibers, extent of export business and additional needs for export. Mr. Sung said that he needed additional synthetics to take care of the demand for export.

13. Korea Trade Promotion Corporation (KOTRA), Seoul
August 17, 1965

Present: KIM, Chul Ku, Director
TRUMP
NILAND

KOTRA's foreign trade training school has been operating since the end of March, 1965, and has now processed about 178 students, in classes of approximately 30 to 35 participants. It provides for about 100 classroom hours. Participants included employees of trading companies and manufacturing firms (some already doing an export business) and some government employees.

14. Seoul Silk Company, Seoul
August 19, 1965

Present: LEE, Chung Hoon, Owner
TRUMP
NILAND

Mr. Lee also has a retail store in the Bando Hotel in which he sells silk, neckwear and other articles made from silk, and jewelry items. He started his plant in 1961 with a couple of looms and a nominal capital. He weaves the so-called "Dupioni" silk exclusively. Activity is seasonal, and the plant operates only about one-half of its annual capacity. He said he has considered improving his export business, but the additional capital required to carry intransit inventories has held him back.

15. Korea University (Business Research Center) Seoul
August 20, 1965

Present: SONG, Ki Chul, Vice Chairman
YU, Se Hwan, Director
KIM, Hae Chun, Director
LEE, Jun Bum, Director
TRUMP
NILAND

At present this Research Center has about seventy people doing work for it, about forty of whom are in the professional category of faculty, instructors and graduate students, and the remainder primarily clerical workers. An impressive list of publications has been completed since 1958, many sponsored by the ROK government. One major class of projects appears to involve descriptive statistics (such as a man power survey and a study of businesses in the Seoul area) and general economic analysis. Another class is business consulting: about twenty consulting projects have been completed for individual firms and governmental agencies. Their accomplishments seem impressive with respect to both quantity and quality.

16. Korean Native Arts Co., Seoul
August 20, 1965

Present: MIN, Byung Dao, President
TRUMP
NILAND

At his store in downtown Seoul, Mr. Min sells a wide variety of lacquer ware items and a small line of jewelry. After discussing the potential export market for existing and contemplated merchandise, we went to the lacquer-ware plant which employs perhaps twenty-five people. Of particular importance is designing (he has one designer) the "inlay" and the cutting of the "inlay" material, abalone shell. Brass is also used as "inlay". We were also impressed in this case with the opportunity for changes in styling which would make individual items much more attractive to the export market - i.e., to Western tastes.

17. Sam Kwang Textile Company, Ltd., Seoul
August 23, 1965

Present: HONG, Chung Mo, President
TRUMP
NILAND

In contrast to the Seoul Silk Company, this plant's equipment (including about 100 looms, mainly Korean-made, and three tricot knitters) is in excellent condition. Almost all of production now is for export, and Mr. Hong expects to sell about $300,000 in silk cloth to the United States this year. The three tricot knitters were especially impressive, being the most modern of equipment of this type. They are used to manufacture nylon shirt cloth. The plant does practically none of the design work, manufacturing according to cloth samples submitted by a selling agent, an American with an office in Seoul. Mr. Hong said one of his most difficult problems currently is a shortage of working capital to finance inventories.

18. Han Kuk Machine Industrial Co., Ltd., Inchon
August 24, 1965

Present: CHUNG, Rak-Eun, President
SOH, COMMODORE, Vice President
TRUMP
NILAND

After a brief meeting with the president, Commodore Soh took us on a tour of the plant, during which we discussed the problem of marketing Han Kuk's line of marine diesel engines. Competition from Japanese products is strong, it was stated. An important element of Japanese competition here is the long credit terms (ten years) offered to fishing vessel owners by Japanese engine manufacturers. In contrast, Han Kuk products are priced significantly lower than the Japanese products but Han Kuk dealings must be on a cash basis. We were struck by the difficulties which the firm has had in adapting its operations to the marketing environment, in product planning, and in the general coordination of marketing, production and other enterprise functions, although quite impressed by their initiative and technical competence.

19. Kuk San Auto Parts Co. (Near Inchon) (Ascom)
August 24, 1965

Present: Mr. CHO, Managing Director
TRUMP
NILAND

Our tour of this plant was one of the most depressing we made. Section after section of the plant had obviously not been used for many months, and in the case of some of the sections of the plant, for many years. Some of the equipment was adequately protected against deterioration, but other items had already deteriorated greatly. The only activity at the time of our visit was rebuilding jeeps and converting 4-wheeled drive trucks, with new bodies, to micro-buses.

Company representatives stated they currently had an order for manufacturing 10,000 splined gears, but it would take four months for them to get the

raw material, which comes from Japan.

20. East Asia Publishing Co., Ltd., Tokyo
August 26, 1965

Present: WOODSIDE, Ray, Publisher
TRUMP

Mr. Woodside is publisher of the IMPORTER, a trade magazine designed for exporters and importers who supply western markets. He is very knowledgeable about the needs of western markets and also well acquainted with products manufactured all over east Asia, including Korea. We talked about various classes of Korean goods which might be produced for western markets. Mr. Woodside offered to help in any way possible with advice and suggestions for Korean products which might be improved by change or redesign.

21. Charles W. Taylor & Co., Inc., Seoul
August 26, 1965

Present. YIM, S.C.
NILAND

Mr. Taylor had departed for the United States, so I talked with Mr. Yim, his assistant. They now represent one New York textile firm, and Mr. Taylor is negotiating to represent another firm. They handle all kinds of cloth - silk, cotton, and artificial fibers - and deal with about four or five Korean weavers.

22. Monsanto Chemical Co., Tokyo, Japanese Office
August 27, 1965

Present: MOWRY, Dr. David
TRUMP

Talked with Dr. Mowry, Far Eastern Economist for Monsanto, regarding his estimate of industrial potential in Korea and steps which would need to be taken to improve industrial outlook.

23. YuHan Chemical Co., Overseas Office, Tokyo
August 27, 1965

Present: NEW, Dr. Il Han, Chairman of the Board
MOWRY, Dr. David
TRUMP

In addition to being Chairman of the Board and a major stockholder, Dr. New heads the Overseas Office of YuHan Chemical Company and is concerned with export potential and new business development. He was interested in expanding both domestic and export business and in producing in Korea items now imported. He exchanged views with Dr. Mowry on the economic potential of Korea.

24. New Light Manufacturing Co., Seoul (Yongdongpo)
August 27, 1965

Present: SHIM, Youn Qwan, Chief Engineer
Mr. Chong
NILAND

This company hand blows the glass tubing required for the fluorescent tubes it manufactures. The process is interesting from a technical standpoint, but it seems to be rather costly (despite low labor costs) primarily because the net yield of good tubing is only about 50 percent. Because of greater efficiency of the large Japanese plants New Light has no interest in trying to compete in the export market. Instead, Mr. Shim expressed considerable interest in obtaining more technical assistance, in order to consolidate their position in the growing Korean market, which has been increasing at the rate of about 15 percent annually.

25. Pusan National University, Pusan
August 30, 1965

Present: HUH, Jong Hyeon, Dean, College of Business
LEE, Hyung Kyoo, Dean, Engineering School
NILAND

Dean Trump had met Dean Huh earlier in Seoul at a conference. Dean Huh pointed out that the metropolitan Pusan area now accounts for 40 percent of all Korean factories. The business school established a management research

center in 1961, and Dean Huh was its first director. Activities to date have apparently been mainly participation in management study programs for the KPC and special programs for individual firms in the Pusan area, although some articles have been published in a school journal. They have just begun a graduate school, and have thirteen students now enrolled in a two year master's program. They have no doctoral program at present. None of the business school faculty members has studied in the United States, although a few have studied in Japan. The school is much interested in foreign trade and its catalog lists several courses in this area.

26. Gold Star Co., Ltd., Pusan
August 30, 1965

Present. CHO, Hyung Je, General Manager
CHUNG, Dal Yeung, Chief of General Affairs
NILAND

This company manufactures an extensive line of electrical appliances, telephones and communication equipment. This firm seems eager to be exposed to new ideas, and also to be interested in expanding its export business. It already exports about two-thirds of its radios in the face of world competition. A tour of the plant showed that many modern ideas had already been placed in effect. On the other hand, it was freely admitted that there was still considerable room for improvement.

27. Lucky Chemical Co., Pusan
August 30, 1965

Present: PARK, S. H., Manager, Production Department
NILAND

This business is also controlled by the Koo family, of Gold Star. Lucky Chemical, started first, proved to be very profitable. It is a plastic molder and fabricator, making primarily injection molding products and extruded products - polyvinyl chloride pipe, plastic film (used for manufacturing raincoats and for agricultural use), hose, wire coating, and molded electrical

parts (such as fan blades, radio and refrigerator items). They also manufacture plastic foam for upholstery applications and polystyrene foam for packaging. The modern plastic molding room with about 22 injection molding machines was especially impressive. It buys its molding compounds, and imports most raw materials from the United States. Their export business is less than ten percent of the total.

28. Dong-A University, Pusan
August 31, 1965

Present: LEE, Ilbyung, Dean of Engineering
KIM, Yong Bae, Head, Department of Commerce
NILAND

The Engineering School totals about 1,000 students. There are four departments· civil, architectural, city planning and mechanical engineering. Visited the machine shop and some other laboratory facilities, which are perhaps a little better than those at Pusan National. One faculty member, Professor Chung, in Mechanical Engineering, is also interested in production management. Business is a department of the School of Law and Economics here. The Department of Business has five full-time professors and 600 students.

29. Hankuk Shipbuilding and Engineering Corporation, Pusan
August 31, 1965

Present: KIM, Chong Yul, Director (Admin.)
KIM, Mun Suan, Director (Production Planning)
KIM, Chul Ung, Chief Planning and Control Division
ZONG, He Ryog, Vice Chief, Shipbuilding Department
NILAND

Principal products are ships (fishing vessels, small passenger and cargo ships), railway tank cars, storage tanks, atructural steel products for a variety of construction projects, and machine tools (especially a medium size, heavy duty lathe). Raw materials and purchased parts are imported for a tuna fishing vessel project duty free under an arrangement similar to "bonded

processing" arrangement for other commodities. Some of the problems include working capital and foreign exchange; a long cycle and many delays in procurement of raw materials and parts.

30. Chosun Silk, Pusan
August 31, 1965

Present: PAK, Kyung In, Chief, General Affairs
KIM, Kyung Mo, Production Manager
CHUNG, Kuk Mo, Departmental Chief (Design)
NILAND

This large, well organized plant was established about forty years ago by the Japanese, although more than 50 percent of the present floor space is provided by buildings constructed within the past five years. About fifty percent of its production is exported (there is a New York branch office). Their biggest foreign market is in the U.S., although they export to the other portions of Asia and to West Germany. For the most part, designing is done from a customer's sample, and very little, if any, original design work seems to be done. They do no market testing of their designs, this is up to the customer who orders the cloth.

31. Hung Ah Tire Company, Pusan
August 31, 1965

Present KIM, Myung Sao, Director, Import and Export Division
NILAND

This company makes a wide variety of automobile and truck tires, in a wide variety of sizes, and many in short runs. The company has exported its products to Indonesia, Thailand, Maylaya, Burma and Pakistan. Japanese firms are strong competitors, and since imported raw materials account for about 75 percent of manufacturing costs, this firm's labor cost advantage is relatively small.

32. Posseng Rubber Industrial Company, Pusan
September 1, 1965

Present: HWANG, Young Sun, Executive Director
LEE, Sung Keun, Managing Director
NILAND

This firm manufactures a variety of rubber footwear and also industrial rubber products, such as rubber gaskets, seals and other molded products, and recovers printers rollers, using mainly reclaimed rubber. Other items are rubber boots, rubber combat boots for the armed forces, and battery cases. The men interviewed were much interested in developing industrial rubber products, and discussed recent experience for some automobile replacement parts. Some of the problems discussed included obtaining quality to equal foreign made parts, getting prices low enough to be competitive with foreign made parts, and the problem of low rates of sale for items which required high set-up costs. No export business yet.

33. DaeHan Chinaware Company, Ltd., Pusan
September 1, 1965

Present: RHEE, Ung Ik, Managing Director
YU, Yoon Shik, Chief Planning Department
NILAND

This plant of this large manufacturer of porcelain, ironware and stoneware seems to be well organized and well managed. Their export business was about $200,000 last year, in the Southeast Asian market. It was claimed that this firm has better quality raw materials at one-third less cost than most Japanese firms. A labor cost advantage of one-third less than Japan was also claimed. Labor and materials account for more than forty percent of manufacturing cost. They are very much interested in expanding their export business.

34. Taegu College, Taegu
September 2, 1965

Present: OH, Ik Kwun, President
LEE, Professor
NILAND

President Oh has been here only since April, when the former head resigned. President Oh was formerly Dean of the College of Commerce at Seoul National University. I gathered there has been a considerable amount of reorganization at this school, both in the administration and among its Board of Trustees, with more emphasis being placed on both business and engineering. Departments include those of Economics, Commerce, and Business Administration (enrollment 414 total). Engineering departments include Chemical, Electrical, Textile, Civil (including Architecture) and Mechanical, (total enrollment 680). President Oh said that he was trying to emphasize consulting with business firms and research. Of sixteen full-time faculty members in the three business-economic departments, four have studied abroad but only one has his master's degree and none has a doctor's degree.

35. Sung-Lee Machinery Works, Taegu
September 2, 1965

Present: KIM, Bok Un, Vice President
KIM, Chong Uk, Managing Director
NILAND

The principal product of this firm is looms (60%) although it also makes lathes. Since last October they have been exporting machine tools and textile machinery to Thailand. Much of the equipment here was installed during the Japanese occupation. They are currently considering negotiating some sort of technical assistance agreement with a Japanese firm.

36. Chung-Gu College, Taegu
September 2, 1965

Present: SUH, Jung-Duk, Dean of Academic Affairs
CHUNG, Ki-Ha, Dean Engineering Division
LEE, Yun-Kun, Professor
SHIN, Jong-Soon, Professor of Public Administration
CHUNG, Bok-Kyu Instructor

There are about 140 students in the Department of Economics and Commerce here, and about 1600 in the School of Engineering. They have had a Business Management Research Center for about three years. Annually, the institution publishes a collection of research papers, one volume for the physical sciences including engineering, and another for the social sciences including economics and commerce. We discussed some examples of the research represented by the latest publication , yielding an impression that this output is quite a respectable amount for a school of this size. Faculty members have also participated in offering courses for businessmen such as those sponsored by the KPC.

37. Sun Il Industrial Company, Ltd., Taegu
September 2, 1965

Present· CHANG, Oh Sik, Vice President
LEE, Man Gil, Managing Director
NILAND

This is another firm which seems eager to listen to new ideas for operation of its business, and one which possesses the ability to put ideas they accept into operation. Some evidence is shown recently with respect to a program of quality control. The principal products are home cooking utensils.

38. Cheil Wool Textile Industrial Co., Ltd., Taegu
September 3, 1965

Present CHO, Pil Je, Executive Director
NILAND

By any standards this is a modern, efficient plant and is a show piece in

Korea. It has branches in Tokyo, Hongkong and in New York, and about 65 percent of its sales are for export. It made its first exports in 1961 to Hongkong, and in 1963 several of its executives made a special tour abroad to emphasize export development. Their quality meets American standards (there is a resident inspector here for a major American customer), and there seems to be little doubt it can meet world competition. Mr. Cho stressed the small number of engineers in Korea, the necessity for increasing their number and the quality of their education, and providing more good laboratory and testing equipment.

39. Shin Seng Industrial Works, Taegu
September 3, 1965

Present: KIM, Sung Lee, Managing Director
NILAND

The principal products are bolts and nuts. The company also makes rails for sliding windows and hacksaw blades. The latter are exported to the United States and some bolts and nuts have been exported to Viet Nam (exports are 10 percent of total sales).

40. Dong, Yong Musical Instrument Company, Taegu
September 3, 1965

Present: SONG, Il Kwan, Chief of Production

This company makes reed organs and guitars; occasionally it does subcontract cabinet work (sewing machines, hi-fi). Within the past two years the company has carried an extensive program of developing work methods, work standards, and quality controls. The firm is a small one and in many cases processes are unsophisticated, but the management seems to be unusually aggressive. They have just shipped a lot of five hundred guitars to the United States via a trader in Seoul. Price: $4.80, F.O.B. Pusan, in export packaging. If the reception of these is good, this will probably lead to more business.

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NOTE:

Mr. AHN, Young Soo, Executive Secretary of the Taegu Industrial Association and Director, Korea Productivity Center, Kyung buk branch, accompanied Dr. Niland on all visits in Taegu (19-25 above). He provided not only an introduction but also volunteered many useful comments about the establishments visited, as well as background and supplementary data on many of the firms.

41. School of Engineering, Seoul National University, Seoul
September 6, 1965

Present: LEE, Ryang, Dean
CHUNG, Professor
NILAND

The School of Engineering has 1800 students enrolled and a full-time faculty of 101. In the future, they have plans to establish an Industrial Engineering Curriculum but there is none at present. They offer a senior course in Industrial Economics, which is fundamental economics for engineers. Professor Chung who is head of Mechanical Engineering, took me on a tour of the testing laboratories, the air conditioning laboratory, and the machine shop. In two instances in the testing laboratories, students were engaged in thesis experiments. The machine shop with 607 lathes and a variety of other machine tools, was about twice as big as Dong Ah's in Pusan. They also have a pattern making shop.

42. School of Engineering, Yonsei University, Seoul
September 6, 1965

Present: HAN, Man Nan Chun, Dean
Other Members of the Engineering and Science Faculty
NILAND

The Engineering Division and the Science Division made up the School of Science and Engineering here. There are 1,051 students enrolled in the Engineering Division which includes majors in Mechanical, Electrical, Civil

and Architectural Engineering. There is no Industrial Engineering offering, but one course in Production Management is given as an elective to seniors (in the fields of Architectural, Mechanical and Electrical Engineering). Although their machine shop was modest, some of the other laboratory facilities, especially an analog computer and the equipment in chemical and physical sciences divisions showed considerable sophistication.

43. Industrial Engineering Department, Han Yang University, Seoul
September 6, 1965

Present: YI, Geun Heui, Professor and Department Head
NILAND

Professor YI said that there are about 350 undergraduate students in the Industrial Engineering Department. A research center has been established and the first project undertaken was a study of worker performance in Korean plants compared with standards exemplified in a film setting forth normal pace in a United States industry. Results have been published in Korean, in a mimeographed pamphlet. Another project is planned on wage structures and systems in Korea. Professor YI has also published a book, in Korean, on production control. The Research Center, he said, is also prepared to do consulting work with business firms.

44. Engineering School, Korea University, Seoul
September 7, 1965

Present: LEE, Chong U., Dean
Other Members of the Faculty
NILAND

This is a new school, with only four full-time professors (plus part time lecturers) located in a new building a block away from the main campus. This year there are only freshman and sophomore students - no juniors or seniors. The initial organization of classrooms and laboratories is impressive. Although not all of the equipment is installed, what is in place seems to be

high quality and well chosen. We visited all of the laboratories including hydraulic and concrete laboratories, drawing rooms, chemical equipment and a small machine shop. No research projects yet. The Foundation of Korea University so far has provided all of the financing.

45. Mitopa Department Store Company, Ltd.
September 7, 1965

Present: CHO, In S., Managing Director
DOO, Chai Ook, Planning and Management Department
NILAND

One of Seoul's leading department stores. In the beginning, the departments were concessions, but Mr. Cho has been trying to get rid of as many as possible. Progress is slow, however, because he is conscious of these concessionaires needs to earn a living. Four years ago, he said, more than 90 percent of the merchandise in this store was foreign made. Now, he said, 90 percent or more of the merchanidse is Korean made. Several items made by plants visited in Pusan and Taegu the previous week are offered for sale by this store.

46. Korea Productivity Center
September 8, 1965

Present: LEE, Yeun Ok, Director
PAIK, Dr. Yeung Hoon, Research Director
NILAND

KPC has just begun some activities in connection with training in foreign trade. So far it has been primarily in analyzing export procedures, with their principal training programs emphasizing methods, work study, time study, job evaluation, personnel and general management principles. They also offered two courses in quality control last year but none this year. Dr. Paik had made some studies in the area of foreign trade, which have been published in Korean

47. Small and Medium Industry Division, Ministry of Commerce and Industry, ROK, Seoul
September 8, 1965

Present: PARK, Kyoo Hong, Chief of Section
NILAND

This section has been active principally as a sponsor of industrial and technical training programs financed by this ministry, but executed by others under contract. Others include KPC, ILO, and Korea University, and the National Institute for Industrial Research.

48. Yu Han Corporation, Seoul (Yungdongpo)
September 8, 1965

Present: CHO, Dr. Tong Soo, President
NEW, Seung Ho, Director, Operations
NILAND

This is a diversified company, with divisions manufacturing pharmaceutical products and chemicals, cosmetics, home products and another plant processing frozen and dried fish. Its principal export market has been in Southeast Asia, secondarily South America and Africa.

49. Chosun File and Tool Industrial Company
(Han Kuk Special Tool Co., Ltd.) Seoul (Yungdongpo)
September 8, 1965

Present: CHAI, Chung Shin, Managing Director
CHUNG, Mr. Acting Plant Manager
NILAND

Manufactures a line of hand tools - files, pliers, adjustable wrenches, twist drills, and hacksaw blades. It also manufactures special order tooling, including jigs and fixtures, dies for press work, and railroad bearing boxes. Last year they did $15,000 export business in pliers and wrenches, mainly to the U.S. (60 percent) and to Viet Nam. Equipment seems to be in average to good condition in the sections devoted to hand tool manufacturing.

50. Korea Trade Promotion Corporation, Tokyo, Japan Branch
September 11, 1965

Present: KIM, Yong Sun, Manager
KWAK, Ea Soon
YAMANOBE, Mr.
NILAND

It was stated that about 40 percent of Korea's exports are to Japan, but that they are primarily in raw materials, and not manufactured items. There are established Japanese manufacturers for most items made by Korean manufacturing firms. Sometimes the quality of the Korean goods is equal to that of the Japanese, but generally, the quality of Japanese manufactured products is higher. Although it was stated that there are no quotas involved, there are duties levied by Japan ranging from about 20 percent to 40 percent, to which an excise tax must be added. The KOTRA branch does not become involved in discussions regarding rates of duty on various items - this is considered part of the political problems which are the responsibility of the Korean Mission. The tasks of the KOTRA branch are to do market research and to provide a trade service.